

# Workshop summary

## APEC TILF& Coal And Power

Coal trade initial focus of APEC TILF Workshops –

BUT

Outlook for thermal coal trade inseparable from the outlook for electricity sector

In APEC economies these markets are increasingly bound together

Deregulation in electricity will affect the coal market – coal market pricing will affect electricity development

Caution – larger coal companies but smaller generators

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## Market reform

There is no such thing as the electricity 'market'.

It is a moving target.

It depends on

- a) structural legacy of market,
- b) policy objectives,
- c) cultural persuasion,
- d) stage in deregulation

BUT

Some commonalities:

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## Commonalities

APEC economies accept that the competitive market is an appropriate policy direction

Putting concepts into place is more difficult than it seems from the distance of policy setting

Reforms may serve a number of goals, which may be mutually inconsistent eg

- \* Least cost and environmentally desirable
- \* Competitive pricing and protected consumers

There is a learning curve and policy makers are learning from the experience of early markets

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## Market issues

Competitive power pool problems – are they structural or transitional?

Transitional issues arise in all sectors of the market – less dismay from unexpected outcomes if this is recognised

Transmission planning is critical – California, Texas, Australia, China,  
- failure can be costly

Deregulation and competition have not failed - California is more an exception than the rule –

Look to successes not the failures

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## Market issues cont'd

Lack of theoretical framework for retail market impediment to development of effective competition

Experience suggests retail market important – it is interface with the end-use customer

Competitive wholesale prices and capped retail prices is an (electoral) accident waiting to happen

Retail tariffs remain a challenge to developing APEC economies, but policies towards market based pricing are being implemented.

Economic/welfare benefits of electricity are substantial for developing economies

This should be recognised - cost/benefit analysis of sudden shift to cost-reflective tariff policies needed

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## Outlook for competition in APEC economies

There is no 'one size fits all' market design – claims to the contrary are misleading and deceptive

While competition has received a bad press, there are more successes than failures

APEC economies are fortunate to have others bear the pain of the learning curve

Shop around and select that design that best fits the specific conditions of your country